

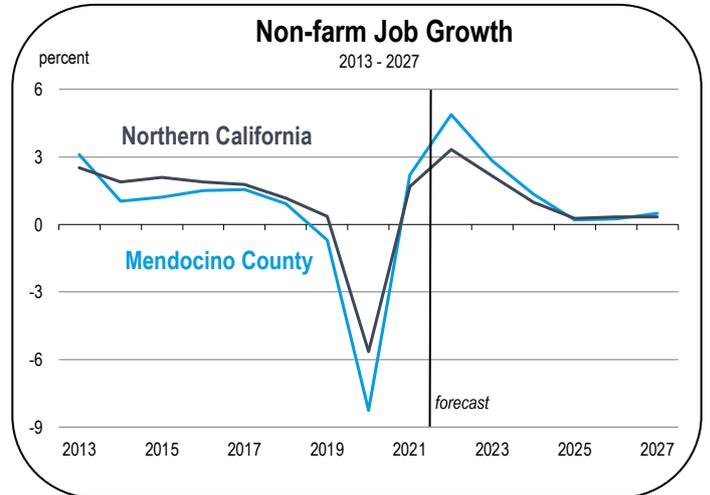
# Mendocino County Economic Forecast

## Forecast Summary

- Approximately 1,450 jobs will be restored in Mendocino County during 2022. The increase in the total workforce is 4.6 percent.
- The remaining 800 jobs that were lost in 2020 will be recovered in 2023, and the labor market will enter an expansion period in 2024.
- Over the 2022-2027 forecast period, total employment in Mendocino County is expected to increase by 3,500 jobs.
- Construction, leisure services, healthcare, and agriculture will be responsible for the majority of all job creation during the forecast period.
- Leisure and hospitality employment is expected to expand faster than any other sector.
- The unemployment rate averaged 6.2 percent in 2021. It is forecast to average 3.5 percent in 2022 and 3.9 in 2023.
- The Mendocino County population is expected to stay relatively stable during most of the 2022-2027 forecast period.
- The median home price increased by 13 percent in 2021.
- Home prices are expected to increase by 10 to 11 percent in 2022 and 1 percent in 2023 but should remain affordable to most of the local population.

## Job Growth

- Total non-farm employment in Mendocino County will expand by an estimated 4.6 percent in 2022. Farm employment will remain



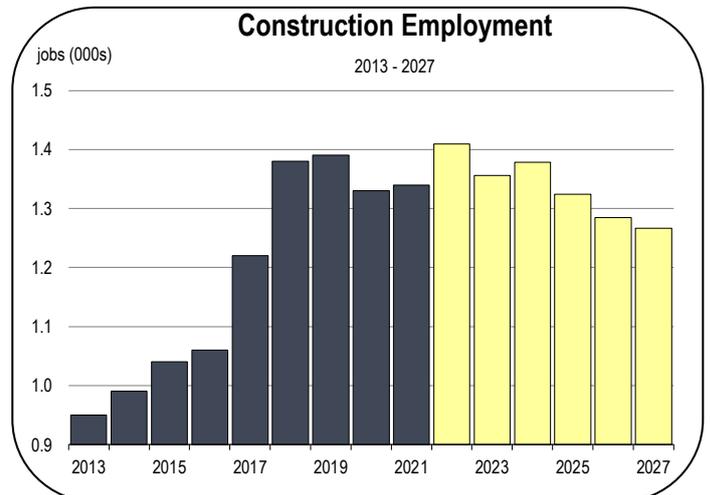
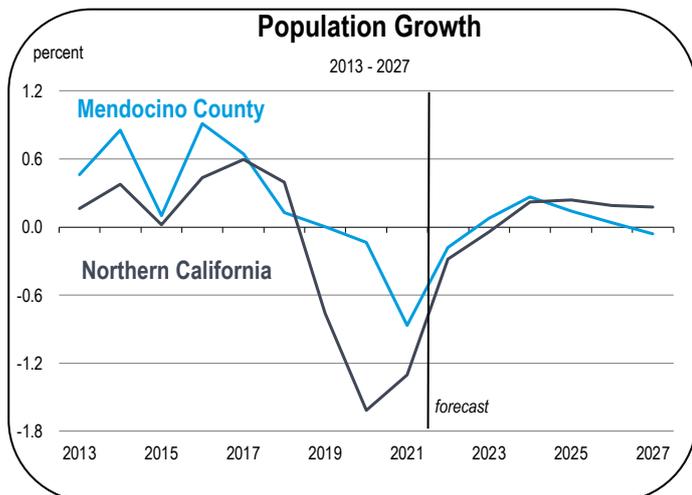
approximately constant.

- Between 2023 and 2027, job growth will average 0.9 percent per year.

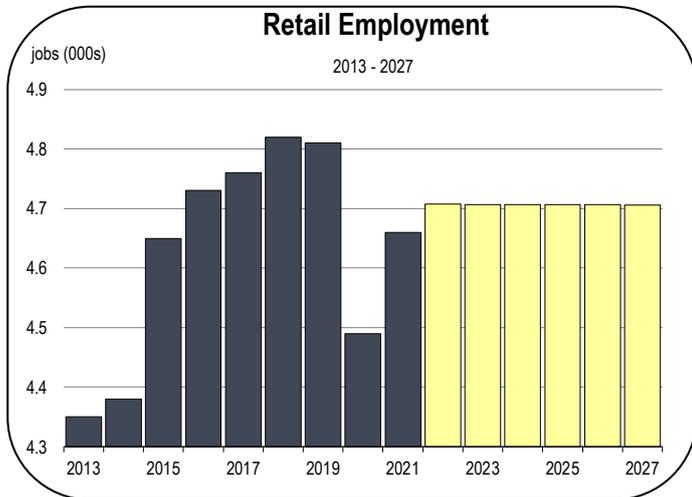
## Construction Employment

- Between 2017 and 2019, construction employment surged in the county, principally to rebuild homes that were destroyed by wildfires. The pandemic interrupted rebuild activity but jobs are being fully restored in 2022.
- Employment levels will increase again in 2022. Building activity will diminish over the second half of the forecast period, but the Mendocino County construction industry will still support approximately 1,270 construction jobs in 2027.

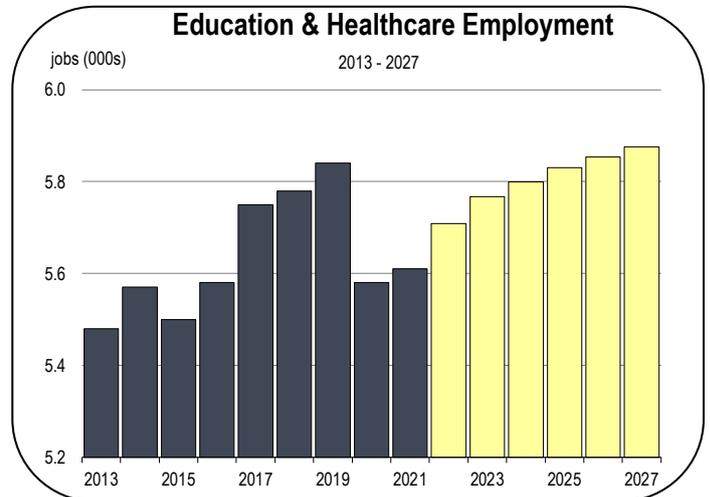
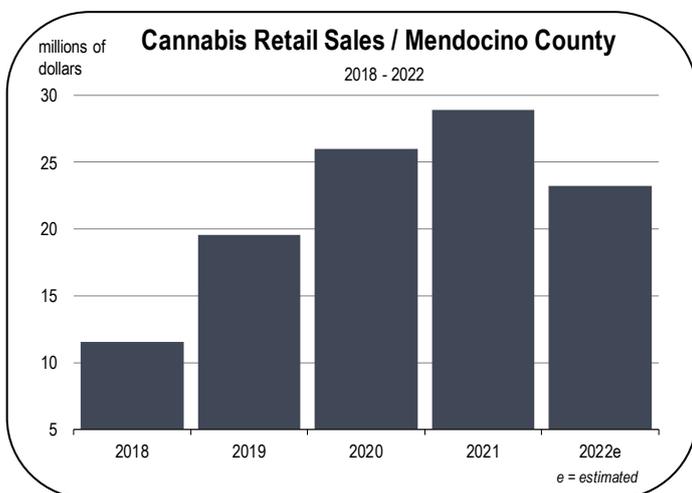
## Retail Trade Employment



# Mendocino County Economic Forecast



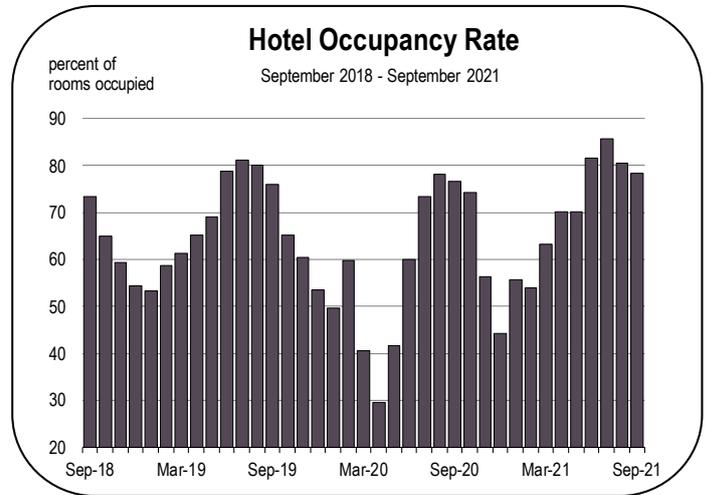
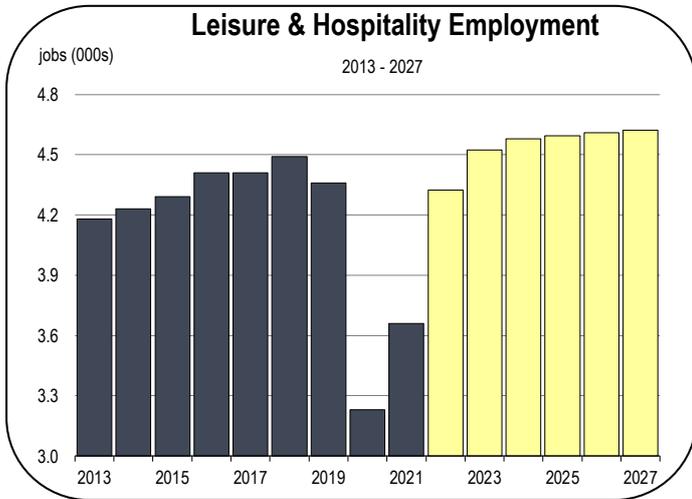
- The retail industry will continue to rebound in 2022 and add another 170 jobs.
- The Mendocino County retail industry was already under pressure before the onset of the Coronavirus Recession.
- Competition from online stores has slowed the expansion of the local brick-and-mortar industry, and the transition to online shopping will prevent the industry from growing over the forecast period.
- The legal cannabis industry has grown rapidly since its inception in 2018, and job creation at legal cannabis retailers has helped to offset declines in other retail subsectors.
- In 2021, Mendocino County cannabis stores recorded \$28 million in sales and employed hundreds of workers.



## Private Education and Healthcare Employment

- A large share of the local economy is represented by hospitals and health facilities.
- Healthcare accounts for more jobs in Mendocino County than any sector other than government.
- The largest healthcare employer is Adventist Health, which has more than 500 workers across its facilities in Willits, Fort Bragg, and Ukiah.
- It is expected that healthcare employment will expand quickly during the forecast period, creating an additional 400 jobs compared to pre-pandemic conditions.
- The 2022-2027 expansion could be at risk if recruitment challenges persist.
- In Mendocino County, there are very few jobs in private educational institutions.
- Most teachers and education administrators work in the government sector.

# Mendocino County Economic Forecast



## Leisure and Hospitality Employment

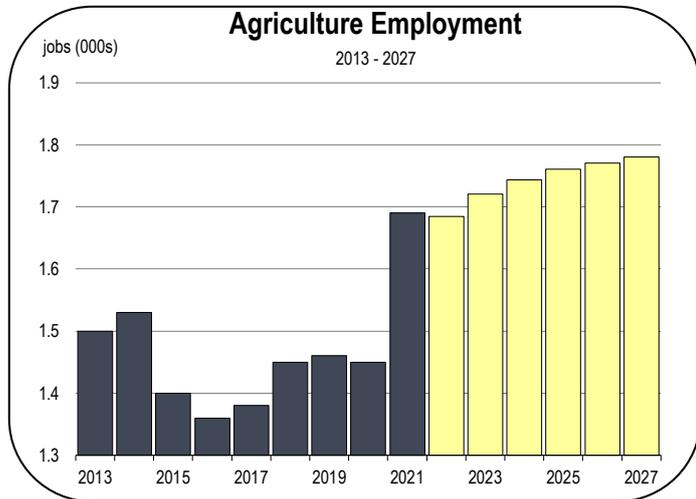
- Mendocino County is home to an expansive forest of redwoods. It has several California State Parks and a National Forest.
- Mendocino County also has a scenic coastline that includes Glass Beach, a state park with large amounts of sea glass.
- Travelers visit Mendocino County every year to experience its natural amenities, with overall tourism activity generating more than \$300 million annually at restaurants, hotels, bars, shops, and related businesses.

- Mendocino County also has an expanding subsector for cannabis tourism that includes greenhouse tours and cannabis sampling.
- By the summer of 2021, the tourism industry had already partially rebounded. Overnight visitors in 2022 were pushing hotel/motel occupancy rates to new record highs.
- Employment in the industry is expected to return to pre-pandemic levels by mid-2023. Further job expansion is forecast through 2027.



Glass Beach

# Mendocino County Economic Forecast



## Agriculture Employment

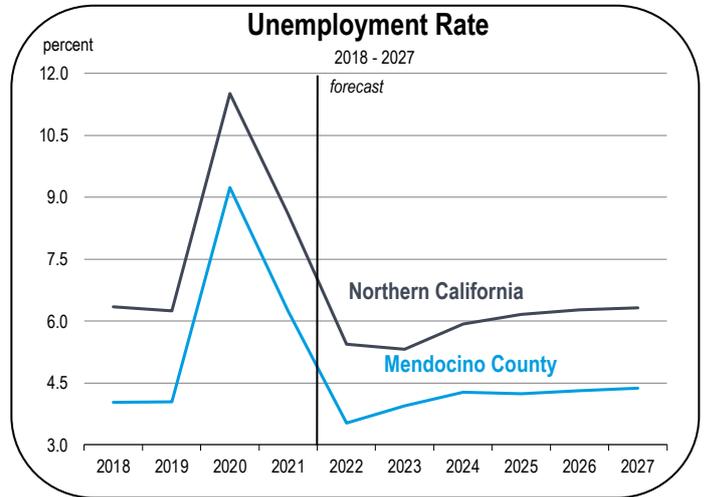
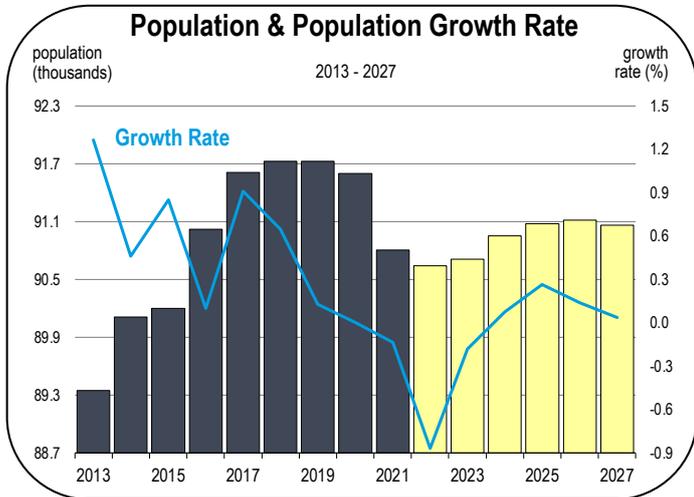
- The agriculture sector should expand sharply during the forecast period as Mendocino County cannabis growers enter the legal market and their employees begin to be counted in the official job market data.
- The most prominent agricultural commodity is cannabis, and the local cannabis industry is dominated by small farms and greenhouses.

- Mendocino County has the third largest cannabis cultivation industry in California, behind only Humboldt and Santa Barbara Counties.
- In Mendocino County in 2021, approximately 850 cultivation permits were held by 670 growers, indicating that the average grower managed less than an acre of land or greenhouse space.
- By contrast, large cannabis businesses were more prominent across the rest of California.
- In the county with the second largest number of active cultivation permits - Santa Barbara - approximately 1,600 permits were held by just 67 growers.
- As a consequence of cannabis supply growth in the legal market exceeding demand growth, prices have declined dramatically over the last year or two.
- Anecdotal evidence suggests that small growers have struggled to adapt to lower prices. Legal cannabis production in Mendocino County should continue to expand; however, it may ultimately depend on the ability of small operations to adapt to market fluctuations or merge into larger entities with better profit margins.



Cannabis Greenhouse

# Mendocino County Economic Forecast



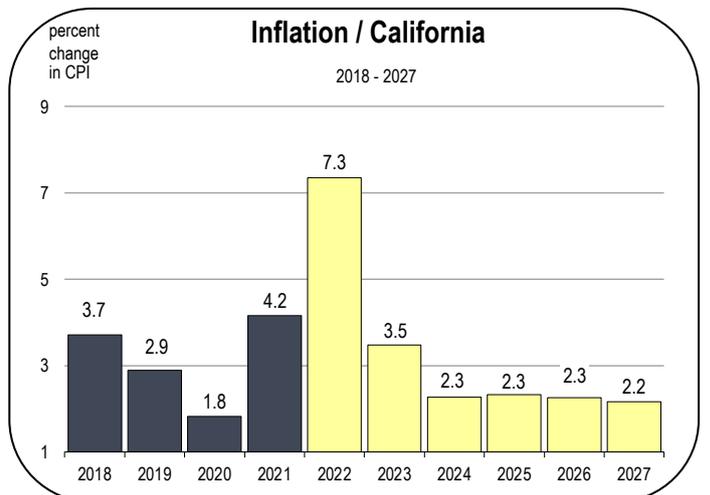
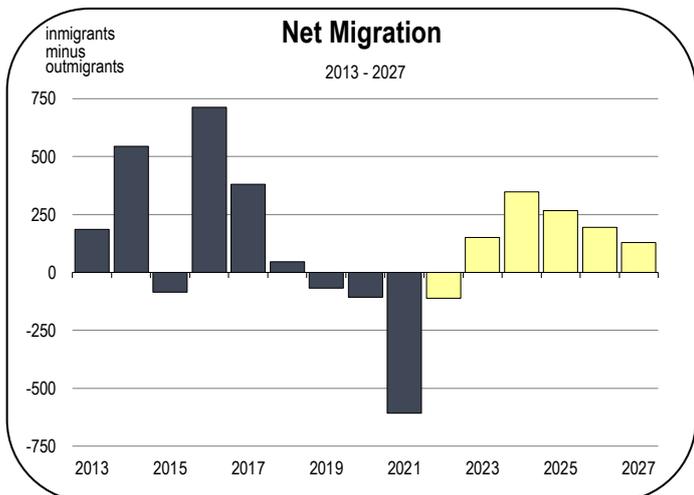
## Population Growth

- The Mendocino County population is expected to gradually rise through 2026, but level off and contract thereafter into 2030.
- Net migration is expected to turn positive in 2023, as more residents move into the county than those moving out. This is short-lived however, and because the county has a disproportionate share of residents over the age of 75, deaths have begun to outnumber births. It is these forces that ultimately cause population to contract after 2026.
- By the end of the 2022-2027 forecast period, the county will have approximately 91,000 residents.

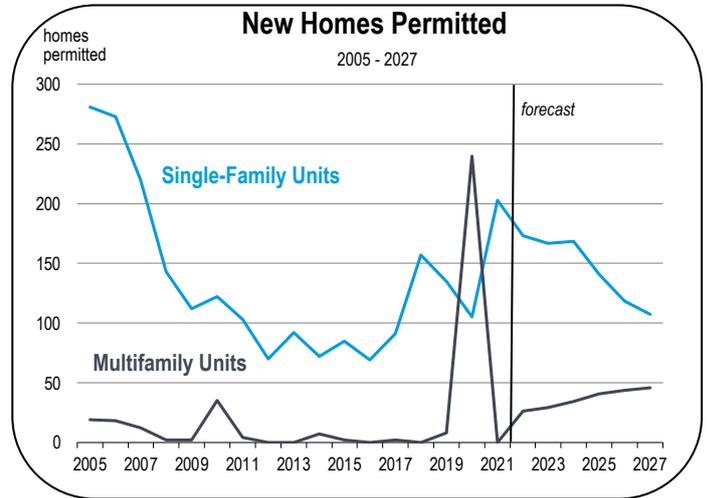
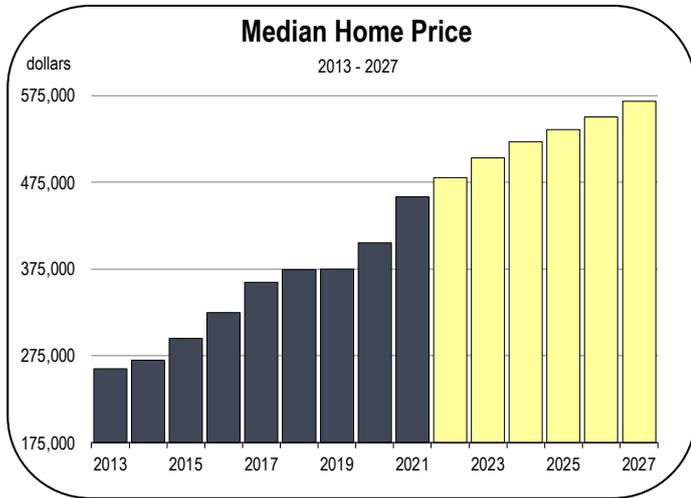
## Unemployment and Inflation Rates

- The unemployment rate in Mendocino County averaged 6.2 percent in 2021.

- An unemployment rate below 5.0 percent signifies a fully employed workforce in the county.
- The unemployment rate is expected to average 3.5 percent in 2022 and 3.9 percent in 2023.
- Inflation decelerated sharply in 2020, largely because energy prices declined when the demand for fuels plunged.
- Inflation soared in 2021 and is expected to remain elevated for several years.
- During 2022 and into 2023, there will be a number of factors that will contribute to higher inflation. The most prominent will be:
  - Record spending by consumers and the federal government during 2021 and 2022



# Mendocino County Economic Forecast



- Fractures in the global supply chain that raise the cost of production for many businesses
- Sharp increases in the cost of housing and energy
- Labor market recruitment challenges that force companies to raise wages
- Combined, these factors have pushed inflation to its highest rate in 40 years. Ultimately, inflation reduces the purchasing power of households and negatively impacts consumer confidence, limiting the growth potential of the economy in 2022.
- However, inflation will begin to decelerate after 2022 as supply

chains and the labor force are restored, eventually falling to below 3 percent again by 2024.

## Home Prices and New Housing Production

- In 2021, the median home value for all housing in Mendocino County was \$459,000; an increase of 13 percent from the previous year. The selling value for a single family detached home was \$547,500.
- The median selling price is expected to rise further in 2022, but adjusted for inflation, values decline by 2.5 percent.



Mendocino County Coastline

# Mendocino County Economic Forecast

- Zillow has the median value of a single-family home in the greater Mendocino City area as \$972,000 in October of 2022. This represents a year-over-year increase of 7 percent. Values are expected to decline modestly in 2023.
- From 2016 to 2021, an average of 225 new homes were started per year in Mendocino County. Approximately 70 percent were single-family homes and the rest were multifamily units.
- Housing production is expected to average 180 to 200 units per year from 2022 to 2027, consisting primarily of single-family homes.

## Cannabis

- As part of the famed Emerald Triangle, Mendocino and its neighboring counties — Humboldt and Trinity — make up the most renowned cannabis-producing region in the country.
- Mendocino County had 541 cultivation licenses in 2019. Since then, the County has received over 1,100 applications but the applicants have been hesitant to purchase new operating licenses.
- This is due to the market not enabling applicants to operate efficiently and effectively. Today, only about 600 businesses operate under cultivation licenses, generating an estimated harvest value of \$131 million in 2020.
- The wholesale price for cannabis in 2022 has dropped to about \$300 per pound, compared to \$1,500 per pound two years ago.
- The retail selling price for cannabis per pound was \$974 in the US on November 18, 2022. Prices have fluctuated between 900 and \$1,150 during the second half of 2022 and are predicted to stay around \$1,000 into March 2023.

- Total taxable retail sales of cannabis in the four cities of Mendocino County was just under \$29 million in 2021. During 2022, the sales pace has weakened; taxable sales of cannabis products is estimated at \$23.3 million.

## Wine Grapes

- Mendocino County's wine grape harvest in 2021 was reported at \$83.9 million, an increase of 1.5% from 2020 despite total 2021 tonnage of grapes decreasing. Across the North Coast, which includes Sonoma, Napa, Lake, and Mendocino, production was off by 27 percent.
- The biggest varietal in Mendocino County is Chardonnay, which accounted for 34 percent of the total grape harvest in 2021. The other two largest wine varietals in Mendocino County are Cabernet Sauvignon and Pinot Noir.
- The average price for grapes grown, harvested and sold in Mendocino County increased 19 percent in 2021 due in part to the drought which improved grape quality.

## New Development

- One of the principal new development projects in Mendocino County is the planned Mendocino County Courthouse in Ukiah. The estimated project cost is \$118 million and the completion date is sometime in 2026.
- The new courthouse would provide seven courtrooms and 82,000 square feet. State court officials are now reviewing bids for the construction of the courthouse.



Mendocino's current courthouse to be replaced.

# Mendocino County Economic Forecast

## Economic Indicators

## 2015-2021 History, 2022-2050 Forecast

	Population (people)	House- holds (thousands)	Net Migration (people)	New Homes Permitted (homes)	Registered Vehicles (thousands)	Personal Income (billions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (millions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (millions)	Inflation Rate (percent)
2015	90,198	35.4	-86	87	116	\$3.9	\$1.0	\$1.4	\$467	\$52,207	5.9	\$165	1.4
2016	91,021	35.4	712	69	119	\$4.1	\$1.0	\$1.4	\$452	\$52,321	5.3	\$193	2.3
2017	91,609	35.5	381	93	116	\$4.2	\$1.1	\$1.5	\$466	\$51,756	4.5	\$189	3.0
2018	91,726	35.2	45	157	116	\$4.4	\$1.1	\$1.5	\$459	\$52,489	4.0	\$205	3.7
2019	91,727	35.3	-68	143	119	\$4.6	\$1.2	\$1.6	\$442	\$53,132	4.0	\$172	2.9
2020	91,602	35.5	-107	345	119	\$4.7	\$2.6	\$3.5	\$467	\$53,645	9.2	\$194	1.8
2021	90,806	35.6	-607	203	120	\$4.8	\$3.1	\$4.1	\$475	\$53,035	6.2	\$193	4.2
2022	90,643	35.6	-112	199	121	\$5.2	\$3.3	\$4.4	\$482	\$53,115	3.5	\$199	7.3
2023	90,712	35.7	150	196	122	\$5.5	\$3.4	\$4.5	\$488	\$54,344	3.9	\$202	3.5
2024	90,953	35.8	347	203	123	\$5.7	\$3.4	\$4.6	\$495	\$55,519	4.3	\$205	2.3
2025	91,080	35.8	266	182	124	\$6.0	\$3.5	\$4.7	\$500	\$56,476	4.2	\$207	2.3
2026	91,114	35.9	195	162	125	\$6.2	\$3.6	\$4.7	\$506	\$57,436	4.3	\$208	2.3
2027	91,061	36.0	129	153	126	\$6.5	\$3.6	\$4.8	\$511	\$58,546	4.4	\$210	2.2
2028	90,920	36.1	58	143	127	\$6.7	\$3.7	\$4.9	\$517	\$59,772	4.4	\$211	2.2
2029	90,758	36.2	46	141	127	\$7.0	\$3.8	\$5.0	\$522	\$60,637	4.4	\$213	2.3
2030	90,591	36.3	46	141	128	\$7.2	\$3.9	\$5.1	\$526	\$61,553	4.4	\$215	2.2
2031	90,417	36.4	49	142	129	\$7.5	\$3.9	\$5.2	\$530	\$62,463	4.4	\$216	2.1
2032	90,245	36.5	57	143	130	\$7.7	\$4.0	\$5.4	\$533	\$63,189	4.4	\$218	2.3
2033	90,058	36.6	45	141	130	\$8.0	\$4.1	\$5.5	\$535	\$64,179	4.4	\$219	1.9
2034	89,858	36.7	27	139	131	\$8.2	\$4.2	\$5.6	\$537	\$65,047	4.4	\$220	2.1
2035	89,655	36.8	7	136	132	\$8.5	\$4.3	\$5.7	\$538	\$65,855	4.4	\$222	2.2
2036	89,467	36.9	2	135	132	\$8.8	\$4.4	\$5.9	\$539	\$66,391	4.4	\$223	2.6
2037	89,279	36.9	-21	132	133	\$9.1	\$4.6	\$6.1	\$540	\$66,855	4.4	\$224	2.7
2038	89,095	37.0	-36	130	133	\$9.4	\$4.7	\$6.2	\$540	\$67,449	4.4	\$226	2.5
2039	88,938	37.1	-38	130	134	\$9.7	\$4.8	\$6.4	\$541	\$67,888	4.4	\$227	2.7
2040	88,807	37.2	-35	130	134	\$10.0	\$4.9	\$6.6	\$541	\$68,366	4.4	\$228	2.6
2041	88,675	37.3	-57	127	134	\$10.3	\$5.0	\$6.7	\$541	\$69,033	4.4	\$229	2.2
2042	88,569	37.4	-59	127	135	\$10.6	\$5.1	\$6.8	\$541	\$69,750	4.4	\$231	2.1
2043	88,475	37.5	-72	125	135	\$10.9	\$5.3	\$7.0	\$541	\$70,498	4.4	\$232	2.0
2044	88,391	37.6	-84	123	135	\$11.2	\$5.3	\$7.1	\$541	\$71,356	4.4	\$235	1.8
2045	88,317	37.6	-93	122	136	\$11.5	\$5.5	\$7.3	\$541	\$72,115	4.4	\$237	1.9
2046	88,263	37.7	-96	122	136	\$11.9	\$5.6	\$7.4	\$541	\$72,765	4.4	\$238	2.0
2047	88,240	37.8	-92	122	136	\$12.2	\$5.7	\$7.6	\$541	\$73,235	4.4	\$240	2.2
2048	88,235	37.9	-94	122	136	\$12.5	\$5.8	\$7.8	\$541	\$73,614	4.4	\$242	2.3
2049	88,236	38.0	-100	121	137	\$12.9	\$6.0	\$7.9	\$541	\$74,183	4.4	\$243	2.0
2050	88,239	38.1	-104	121	137	\$13.2	\$6.1	\$8.1	\$541	\$74,667	4.4	\$244	2.1

## Employment Sectors

## 2015-2021 History, 2022-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	(thousands of jobs)											
2015	32.0	1.40	1.0	2.5	0.7	5.4	1.0	1.7	0.3	5.5	4.3	7.1
2016	32.4	1.36	1.1	2.6	0.7	5.5	1.1	1.7	0.3	5.6	4.4	7.2
2017	32.9	1.38	1.2	2.5	0.7	5.6	1.1	1.7	0.2	5.8	4.4	7.2
2018	33.3	1.45	1.4	2.5	0.7	5.6	1.1	1.8	0.2	5.8	4.5	7.2
2019	33.1	1.46	1.4	2.4	0.7	5.6	1.1	1.9	0.2	5.8	4.4	7.2
2020	30.5	1.45	1.3	2.3	0.8	5.2	1.0	1.8	0.2	5.6	3.2	6.6
2021	31.4	1.69	1.3	2.4	0.9	5.4	1.0	1.8	0.2	5.6	3.7	6.4
2022	32.8	1.68	1.4	2.4	0.9	5.5	1.0	1.9	0.2	5.7	4.3	6.8
2023	33.7	1.72	1.4	2.4	0.9	5.5	1.0	1.9	0.2	5.8	4.5	7.4
2024	34.2	1.74	1.4	2.4	1.0	5.5	1.0	1.9	0.1	5.8	4.6	7.6
2025	34.3	1.76	1.3	2.5	1.0	5.5	1.0	1.9	0.1	5.8	4.6	7.6
2026	34.3	1.77	1.3	2.6	1.0	5.5	1.0	1.9	0.1	5.9	4.6	7.6
2027	34.5	1.78	1.3	2.6	1.0	5.5	1.0	1.9	0.1	5.9	4.6	7.6
2028	34.7	1.79	1.2	2.7	1.0	5.5	1.0	2.0	0.1	5.9	4.6	7.6
2029	34.8	1.80	1.2	2.8	1.0	5.5	1.0	2.0	0.1	5.9	4.7	7.6
2030	34.9	1.81	1.2	2.9	1.0	5.5	1.0	2.0	0.1	5.9	4.7	7.6
2031	35.0	1.82	1.2	3.0	1.0	5.5	1.0	2.0	0.1	6.0	4.7	7.5
2032	35.0	1.83	1.3	3.0	1.1	5.5	1.0	2.0	0.1	6.0	4.7	7.4
2033	35.1	1.84	1.2	3.0	1.1	5.5	1.0	2.0	0.1	6.0	4.7	7.4
2034	35.1	1.85	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.0	4.8	7.3
2035	35.1	1.86	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.0	4.8	7.3
2036	35.1	1.86	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.0	4.8	7.2
2037	35.1	1.87	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.1	4.8	7.2
2038	35.1	1.88	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.1	4.8	7.1
2039	35.0	1.89	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.1	4.9	7.0
2040	35.1	1.89	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.1	4.9	7.0
2041	35.0	1.90	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.1	4.9	6.9
2042	35.0	1.91	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.1	4.9	6.9
2043	35.0	1.91	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.2	4.9	6.9
2044	35.0	1.92	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.2	5.0	6.8
2045	35.0	1.94	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.2	5.0	6.8
2046	35.0	1.95	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.2	5.0	6.7
2047	35.0	1.96	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.2	5.0	6.7
2048	35.0	1.97	1.2	3.1	1.1	5.5	1.0	2.0	0.1	6.2	5.0	6.7
2049	35.1	1.97	1.2	3.0	1.1	5.5	1.0	2.0	0.1	6.2	5.1	6.7
2050	35.1	1.98	1.2	3.0	1.1	5.5	1.0	2.0	0.1	6.2	5.1	6.7

# Mendocino County Economic Forecast

## Socioeconomic Indicators

